



# SPAFID CONNECT

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Group Results

*Testo del comunicato*

Vedi allegato.

MILAN, 6 MAY 2020

**UNICREDIT: A PAN-EUROPEAN WINNER****1Q20 GROUP RESULTS SHOW****STRONG CAPITAL AND LIQUIDITY POSITION****DECISIVE COVID-19 RESPONSE TO PROTECT ALL STAKEHOLDERS**

On 5 May 2020, the Board of Directors of UniCredit S.p.A. approved the 1Q20 Group's consolidated financial accounts as of 31 March 2020:

**FAST AND DECISIVE ACTION IN RESPONSE TO COVID-19 ENSURING CONTINUED EFFICIENT CUSTOMER SERVICE WHILE PROTECTING THE WELL-BEING OF ALL STAKEHOLDERS**

- **Employees:** Group wide protective measures; effective business contingency plan activated
- **Clients:** accelerated digital transformation; €28 bn loans under moratoria; €1 bn guarantees<sup>1</sup>
- **Communities:** local and regional donations; partnership with central banks and governments

**EXCELLENT START TO THE YEAR WITH STRONG PERFORMANCE IN FIRST TWO MONTHS. COVID-19 IMPACT VISIBLE FROM MARCH ONWARDS**

- **NII:** €2.5 bn, down 0.5 per cent Q/Q; **Fees:** €1.6 bn, up 5.2 per cent Y/Y
- **Gross AuM sales:** first two months<sup>2</sup> c.150 per cent 2019 run-rate; the last two weeks of March<sup>2</sup> at c.50 per cent

**1Q20 NET PROFIT IMPACTED BY NON-OPERATING ITEMS IN LINE WITH GUIDANCE**

- Mainly integration costs in Italy<sup>3</sup> (-€1.3<sup>4</sup> bn), Yapi transactions (-€1.7 bn)<sup>4,5</sup> and real estate sales<sup>6</sup> (+€0.5 bn<sup>4</sup>)
- **Stated net profit:** -€2,706 m; **underlying net profit** including IFRS9 macro scenario LLPs: -€58 m

**STRONG CAPITAL AND LIQUIDITY POSITION TO SUPPORT CLIENTS AND COMMUNITIES**

- **Strong capital:** 1Q20 CET1 MDA buffer at 436bps, well above the 200-250bps target throughout FY20
- **Realistic IFRS9 macro scenario<sup>7</sup>** update, additional €0.9 bn LLPs, FY20 cost of risk range 100-120bps, while FY21 cost of risk range 70-90bps
- **Strong liquidity:** 1Q20 LCR ratio 143 per cent<sup>8</sup>

**DOING THE RIGHT THING FOR ALL STAKEHOLDERS IN ORDER TO BEST SERVE OUR STAKEHOLDERS**

- **UniCredit's Core strengths and focussed business model** to ease Covid-19 impact
- **Core pillars of Team23** remain strategic priorities
- **Updated Team 23 plan** reflecting current conditions will be presented at a Capital Markets Day towards the end of the year or early next year

<sup>1</sup> As of 24 April 2020

<sup>2</sup> Managerial figures. Western Europe only, excluding Wealth management, from January till mid of March.

<sup>3</sup> See press release of 02/04/20 for details "UniCredit and Italian trade unions sign agreement related to Team 23 strategic plan.

<sup>4</sup> Figures shown are pre-tax. Overall tax impact & other minor for non operating items is -€143 m.

<sup>5</sup> Revaluation reserves, recycling from net equity through P&L -€1.6 bn, mainly FX reserve. Positive impact from regulatory deconsolidation of +58 bps on CET1 ratio.

<sup>6</sup> excluding PPA

<sup>7</sup> Annual GDP growth rates for FY20 are assumed to be -15.0 per cent for Italy, -10.0 per cent for Germany, -9.1 per cent for Austria and -6.3 per cent for CEE. The annual GDP recovery for FY21 is assumed to be +9.0 per cent for Italy, +10.0 per cent for Germany, +7.9 per cent for Austria and +6.0 per cent for CEE.

<sup>8</sup> Regulatory figure as of 1Q20 (monthly 12M average).

**Jean Pierre Mustier, Chief Executive Officer of UniCredit S.p.A., commenting on the 1Q20 Group results, said :**

“The first quarter of 2020 reconfirmed the positive impact of *Transform 2019* across our business.

Our commercial performance for the first two months was very strong, NII held steady and fees were up 5.2 per cent year on year. We now draw on remarkable capital strength with a significant increase of our CET1 MDA buffer in the quarter to 436bps, well above our 200-250bps target, as well as a very strong liquidity position which at the end of the first quarter at 143 per cent<sup>8</sup>.

From the first days of the Covid-19 outbreak in Italy, UniCredit has taken decisive action to protect and support its employees and clients while remaining fully open for business across all geographies. Thanks to the unfailing commitment of all team members, we have continued to serve our clients and the economies where we are present. In addition, both the Group and its employees have made significant donations to the fight against Covid-19.

Following the widespread lockdown, we took the proactive decision to anticipate our regular Q2 IFRS9 macro scenario update, announcing an additional €902 m in LLPs. Based on realistic assumptions, we expect our FY20 cost of risk to be in the 100-120bps range.

I want to express my sincere gratitude to all my colleagues and to reassure them that, as the lockdown starts to ease across our markets, we will base our decisions as to how proceed on data, not dates. We will always do the right thing, placing the health and wellbeing of our colleagues and clients first. We are well positioned to meet the unprecedented challenges brought on by the Covid-19 pandemic, thanks to our fundamental strengths and focussed business model.”

**1Q20 RESULTS****EARLY DECISIVE ACTION TO PROTECT STAKEHOLDERS IN RESPONSE TO COVID-19**

The past months has been defined by the global Covid-19 pandemic, which had a profound impact on communities, employees and customers. UniCredit took swift and decisive actions to protect all stakeholders and the health and safety of employees and customers will remain the bank's top priority. At the first signs of the crisis, UniCredit deployed circa 17 m personal protective equipment items and installed close to 25,000 protective screens in its branches.

Within two weeks the presence in large buildings decreased to circa 10 per cent and to 40 per cent in branches. Thanks to the "One Bank, One UniCredit" approach the bank could apply the learnings in Italy to the other geographies in which it operates. Sharing best practice actions from Italy, allowed the Group to be first mover in Germany, Austria and CEE.

Thanks to significant Transform 2019 IT investments, the Group was able to quickly adapt to new ways of working with proven operational flexibility. VPN capacity has gone up from 4,000 to 60,000 users, an increase of more than 15x times versus the capacity pre-crisis. In addition, UniCredit sourced 8,000 new laptops, 8,000 WebEx licenses and increased Skype for Business five-fold. As of today, about 60 per cent, more than 50,000 employees, are working remotely including almost 90 per cent of the headquarter functions.

Clients are also embracing and benefitting from the IT investments made in digital and mobile operations. Active digital users<sup>9</sup> increased by 5 per cent Y/Y to 7.5 m, while active mobile banking users<sup>10</sup> increased by 27 per cent Y/Y. This development is also reflected in a material increase of digital sales (+15 per cent Y/Y) as well as the share of digital sales of total sales (+47 per cent Y/Y).

UniCredit continues to "Do the right thing". The Group has extended its employee healthcare cover to include Covid-19 and has made 900 apprentice contracts permanent. As a sign of solidarity, UniCredit's top management has waived its entire bonus for 2020.

The bank has taken additional actions to directly support the frontline;

- sourcing and donating protective equipment and respirators for hospitals ;
- donation to numerous health related and non profit organisations
- made numerous charitable donations including a €5m team contribution to the UC Foundation and
- provided 0 per cent interest rate loans for health care workers in Germany

To support customers, the Group has partnered with central banks, Governments and regulators to ensure help gets to those who need it. State guaranteed loan programmes were rolled out across the Group's geographies in April. In Italy, UniCredit granted the first loan under the SACE guarantee - €10 m for Pastificio Di Martino, a 100-year old pasta maker based in Gragnano, near Naples. During April, almost €1 bn loans backed by state guarantees, were distributed. UniCredit targets €15 bn of guarantees in Italy. Furthermore, as of 24 April, the bank has approved and distributed €28 bn in loans to 279,000 clients, throughout its different geographies under the moratoria<sup>11</sup>.

UniCredit, being the "go-to" bank for SME's, is continuing to support its clients and adapting to their needs by providing faster payments to the group's suppliers to support the SME's cash flow.

<sup>9</sup> At least one login in online/ mobile applications in the last three month.

<sup>10</sup> At least one login in mobile applications in the last three month (1 month for Germany).

<sup>11</sup> Approved moratoria, data as of 24 April 2020. CEE consolidated data; Opt-out countries are Hungary and Serbia, Opt-out means that the moratoria is automatically granted to all clients which can then decide not to have it.

## RESILIENT BUSINESS MODEL UNDERPINNED BY STRONG CAPITAL AND LIQUIDITY RATIOS

UniCredit's business model and strategy - being a simple, successful pan-European commercial bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive client franchise – makes the bank resilient.

In terms of 1Q performance, UniCredit had a strong start to the year with commercial revenues up significantly in January and February, and still up 0.1 per cent in the quarter year on year, despite the Covid-19 slowdown from the middle of March onwards.

For 1Q20:

- **NII** was down slightly (0.5 per cent Q/Q) driven by negative commercial dynamics, in particular customer loan rates
- **Fees** made an impressive start to the year in the months of January and February with the run-rate of Gross AuM sales at circa 150 per cent of 2019, while in the last two weeks of March they were at circa 50 per cent. CB Italy had its best start to the year ever in term of investment fees, while the CIB business showed a strong performance in debt capital markets
- **Trading:** Client driven trading showed a solid performance in equities, commodities and FX which showed a positive Q/Q development, however it was more than offset by credit spread widening impacting some market facilitation portfolios. The overall trading income impacted as well by XVA and non-recurring valuation adjustments.

On top of the additional LLPs from the IFRS9 macro scenario communicated on 22 April, the operating part of the P&L also saw an impact from Covid-19 on revenues which were down almost €500 m Q/Q. This is mainly explained by non-recurring items that are not linked to the operating profitability of the Group. Examples include quarter on quarter changes in XVA for almost -€175 m, negative non-recurring valuation adjustments on participations like Visa for a total of €65 m or a swing in the balance of other income, including reduction for the sale of Ocean Breeze in 4Q19.

Costs are lower, thanks to continued strong cost discipline. Decline was primary thanks to lower credit recovery costs in Non Core, consulting and travel expenses, offsetting about €12 m in extraordinary Covid-19 related costs for communication and safety initiatives.

As per CMD19 guidance, there were a number of non-operating items in the quarter such related to the Yapi stake and integration costs in Italy. As a result, UniCredit reported a stated net loss of €2.7 bn, while the underlying net profit was almost breakeven at -€58 m. Excluding the IFRS9 macro scenario LLP update, the underlying Group RoTE was 6.5 per cent.

The performance of CEE stands out and confirms it is an important driver of the diversification and profitability of the Group.

Thanks to the successful delivery of its strategic plan Transform 2019, UniCredit is benefitting from an accelerated balance sheet de-risking. In 1Q20 the Group gross NPE ratio was below 5 per cent, the first time in many years thanks to the accelerated run-off of the Non-Core unit. The coverage ratio of 65.2 per cent is among the highest for eurozone banks. Underlying cost of risk, net of the updated IFRS9 macroeconomic scenario, is improving throughout all markets and at 29bps in 1Q20, is below the Team 23 guidance. FY 20 CoR is expected to be between 100-120 bps, based on GDP growth assumptions of -13 per cent for the eurozone. Furthermore, the BTP holdings were reduced by more than €10 bn year on year; acceleration of the Non Core rundown, and UniCredit sold its old non-strategic assets such as a stake in Yapi, all holdings in Fineco and Mediobanca as well as real estate in Germany for a total of more than €7 bn.

The bank's disciplined underwriting is reflected in the expected loss on new origination. More than 70 per cent of new origination, and more than 60 per cent of the stock, have an expected loss below average. Only 10 per cent of UniCredit's €485 bn credit portfolio falls into the Covid-19 "High Impact" category – sectors such as airlines, shipping and tourism. being the sectors most sensitive to GDP. Any additional impairments are expected to be mostly driven by these.

UniCredit has a very strong CET1 capital ratio at 13.44 per cent and a liquidity ratio of 143 per cent<sup>8</sup>. The CET1 MDA buffer increased to 436 bps in 1Q20, despite the updated IFRS9 macro scenario. The bank confirms that it will be well above its 200-250 bps CET1 MDA buffer target throughout FY20.

Thanks to UniCredit's business model, core strengths and unique position as a pan-European winner, it has the strength to withstand the Covid-19 challenge and continue to support and serve its clients and communities.

Due to the highly uncertain environment, UniCredit will update its strategic plan towards the end of the year or early next year. The bank confirms the core pillars of Team 23 remain a strategic priority:

- Grow and strengthen the client franchise
- Transform and maximise productivity
- Disciplined risk management & controls
- Capital and balance sheet management

UniCredit continues to “Do the right thing”, protecting the health and safety of its employees and supporting customers and communities in order to best serve its shareholders.

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**UNICREDIT 1Q20 GROUP RESULTS – DETAILS OF CONFERENCE CALL**

**MILAN, 6 May 2020 – 10.00 CET**

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**CONFERENCE CALL DIAL IN**

**ITALY: +39 02 805 88 11**

**UK: +44 1 212818003**

**USA: +1 718 7058794**

THE **CONFERENCE CALL** WILL ALSO BE **AVAILABLE** VIA **LIVE AUDIO WEBCAST** AT

<https://www.unicreditgroup.eu/en/investors/group-results.html>, WHERE THE SLIDES WILL BE DOWNLOADABLE

## UNICREDIT GROUP PROFIT &amp; LOSS

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total revenues	4,768	4,850	4,378	-9.7%	-8.2%
o/w Net Interest	2,578	2,515	2,502	-0.5%	-3.0%
o/w Fees	1,541	1,629	1,620	-0.5%	+5.2%
o/w Trading	442	464	165	-64.5%	-62.7%
Operating costs	-2,510	-2,525	-2,493	-1.3%	-0.7%
LLP	-467	-1,645	-1,261	-23.4%	n.m.
Stated net profit/loss	1,175	-835	-2,706	n.m.	n.m.
Underlying net profit/loss	1,129	1,416	-58	n.m.	n.m.
CET1 MDA buffer (bps)	219	312	436	124	218
Underlying RoTE	9.3%	10.8%	-0.4%	-11.2 p.p.	-9.7 p.p.
Cost/income ratio	52.6%	52.1%	56.9%	+4.9 p.p.	+4.3 p.p.
Stated cost of risk (bps)	40	137	104	-33	+64

**Note:** Group underlying net profit and RoTE exclude the group recast effects from real estate revaluations/disposals of +€46m in 1Q19. The disposal of 9 per cent Yapi Kredi (-€365 m in 4Q19), integration costs in Germany & Austria (-€319 m in 4Q19), Non Core LLPs given the update of Non Core rundown strategy (-€1,055 m in 4Q19 including -€6 m related to net interest), impairment of intangible and other assets (-€468 m in 4Q19 o/w -€189 m software write-off and -€279 m other) and revaluation of RE and effects of disposals (-€45 m in 4Q19). In 1Q20 the Yapi transactions (-€1,669 m including -€93 m of valuation of the residual stake), the integration cost in Italy (-€1,272 m), the additional real estate disposals (+€296 m) and the regulatory headwinds impact on cost of risk (-€3 m).

**Revenues** were down in 1Q20 Y/Y and Q/Q as a result of lower trading due to market dislocation and disposals.

**NII**<sup>12</sup> declined by 0.5 per cent Q/Q, mainly due to commercial dynamics (-€32 m Q/Q) and in particular lower performing loan rates (-€48 m Q/Q) and volumes (-€8 m Q/Q), partly offset by higher deposits (+€23 m Q/Q) and TLTRO benefit/tiering<sup>13</sup> (+€7 m Q/Q). Further NII contributors were the investment portfolio (+€13 m Q/Q) and other items<sup>14</sup> (+€6 m Q/Q). Adjusting for the days effect (-€13 m Q/Q) and one-off tax related items<sup>15</sup> in CB Germany, the Q/Q decrease in NII would be 2.0 per cent.

**The dividends and other income**<sup>16</sup> decrease (-39.0 per cent Y/Y) was mainly driven by the reduction in the Yapi stake (-€29 m Y/Y) and the sale of the Mediobanca stake (-€18 m Y/Y).

**Fees and commissions** were strongly up Y/Y in January and February prior to the Covid-19 impact, of which:

- **Investment fees** were €620 m, up 14.2 per cent Y/Y with upfront fees up 19.2 per cent Y/Y thanks to a very strong January and February, with the Covid-19 related impact seen on AuM gross sales in March. Management fees were up 4.7 per cent Y/Y;
- **Financing fees** totalled €438 m, down 1.0 per cent Y/Y as a result of lower credit protection insurance sales in CB Italy following the lockdown which outweighed the higher lending fees in CIB;
- **Transactional fees** amounted to €562 m, up 1.2 per cent Y/Y thanks to higher fees from repricing of current accounts in CB Italy offsetting lower debit and credit card fees in all countries, following the Covid-19 related lockdowns.

**Trading income** was down 64.5 per cent Q/Q, while client driven trading income was down €103 m Q/Q (-34 per cent Q/Q) with solid performance in equities, commodities and FX more than offset by credit spread widening impacting some market facilitation portfolios. Overall trading revenues down €300 m Q/Q (-64.5 per cent Q/Q) impacted as well by XVA<sup>17</sup> (-€174 m Q/Q), and one-off items (-€65 m Q/Q).

**Other revenues** totalled -€11 m, down €50 m Y/Y and down €120 m Q/Q, including reduction for the sale of Ocean Breeze in 4Q19.

<sup>12</sup> Net contribution from hedging strategy of non-maturity deposits in 1Q20 at €360.4 m, -€1.1 m Q/Q and +€1.4 m Y/Y.

<sup>13</sup> Contribution from deposit tiering of +€ 26 m in 1Q20 (+€8 m Q/Q).

<sup>14</sup> Other include: margin from impaired loans, time value, days effect, FX effect, one-offs and other minor items.

<sup>15</sup> Successful tax litigation case in net interest line in CB Germany equal to €50 m 1Q20.

<sup>16</sup> Include dividends and equity investments. Yapi is valued by the equity method (at 32 per cent stake for January and at 20 per cent thereafter) and contributes to the dividend line of the Group P&L based on managerial view.

<sup>17</sup> Valuation adjustments (XVA) include: Debt/Credit Value Adjustment (DVA/CVA), Funding Valuation Adjustments (FuVA) and Hedging desk.

**Operating costs** were down (-0.7 per cent Y/Y), with a cost breakdown of:

- **HR costs** totalled €1.5 bn (-0.9 per cent Y/Y), with lower pension costs in CB Austria and lower group FTEs (-1.4 per cent Y/Y), being at 83,942, down by 1,169 Y/Y and 303 Q/Q.
- **Non HR costs**<sup>18</sup> were €951 m, down 0.3 per cent Y/Y primary thanks to lower credit recovery costs in the Non Core unit, consulting and travel expenses, and including higher extraordinary costs related to Covid-19, comprised of communication and safety initiatives. The number of branches<sup>19,20</sup> decreased by 133 Y/Y and by 67 Q/Q to 3,650.

**LLPs** totalled €1.3 bn in 1Q20 (-23.4 per cent Q/Q) of which €359 m were underlying LLPs<sup>21</sup> and €902 m additional impairments following the IFRS9 macro scenario LLPs update. The underlying cost of risk, excluding the additional impairments for the IFRS9 macro scenario LLPs update, was 29 bps, below the Team 23 guidance. FY 20 CoR is expected to be between 100-120 bps, being a combination of IFRS macro scenario LLPs from 1Q20 and the recognition of segment and specific LLPs, the latter likely to occur towards the end of the year once the moratoria will expire. FY21 Group CoR is expected to be in the range of 70-90bps.

**Integration costs** were booked as per CMD'19 guidance with €1.3 bn in 1Q20, following the Italian trade Unions agreement reached for the implementation of Team 23<sup>3</sup>.

**Profit from Investments** including the €1.7 bn loss from the Yapi transactions<sup>22</sup> (primary related to the release of negative FX reserves) and +€516 m gain of real estate disposals. This also includes a €72 m loss on debt securities linked to IFRS9 macro scenario update.

**Income tax** was -€140 m in 1Q20, mainly related to the real estate disposals in the quarter.

**Group stated net profit** totalled -€2.7 bn due to material non-operating items and IFRS9 macro scenario LLPs. 1Q20 Group underlying net loss stood at €58 m, of which CB Italy (+€12 m), CB Germany (+€18 m), CB Austria (-€58 m), CEE (+€126 m), CIB (-€2 m), Group CC (-€162 m) and Non Core (+€8 m).

The **underlying RoTE** was -0.4 per cent in the first quarter 2020, while the underlying Group RoTE excluding IFRS9 macro scenario LLPs was 6.5 per cent.

## UNICREDIT GROUP BALANCE SHEET

**Average gross commercial performing loans**<sup>23,24</sup> were €399.8 bn<sup>25</sup> at the end of March 2020 (-0.5 per cent Q/Q, +0.4 per cent Y/Y). The main contributors were Commercial Banking Italy (€130.4 bn), Commercial Banking Germany (€86.2 bn) and CIB (€72.5 bn).

**Group average commercial deposits**<sup>26,27</sup> increased to €409.1 bn<sup>25</sup> at the end of March 2020 (+0.5 per cent Q/Q, +4.1 per cent Y/Y). The main contributors were Commercial Banking Italy (€152.9 bn), Commercial Banking Germany (€87.9 bn) and CEE (€71.5 bn).

**Gross customer performing loan rates**<sup>28</sup> were down 5 bps Q/Q<sup>29</sup> at 2.38 per cent<sup>25</sup> in 1Q20 and down 15 bps Y/Y.

**Total Financial Assets (TFA)**<sup>30</sup> declined by 5.9 per cent Q/Q, reaching €663 bn as of 31 March 2020. Due to a methodological change, the TFA definition excludes all CIB assets<sup>31</sup>.

<sup>18</sup> Non HR costs include "other administrative expenses", "recovery of expenses" and "amortisation, depreciation and impairment losses on intangible and tangible assets".

<sup>19</sup> Branch figures consistent with CMD 2019 perimeter.

<sup>20</sup> Number of branches in CEE is now excluding Yapi.

<sup>21</sup> LLPs net of IFRS9 macro scenario LLPs.

<sup>22</sup> Including -€93 m of valuation of the residual stake.

<sup>23</sup> Average gross commercial performing loans are managerial figures and are calculated as daily averages. Loans net of provisions.

<sup>24</sup> End of period accounting volumes calculated excluding repos and, for divisions, excluding also intercompany items. Customer loans including repos amounted to €490.0 bn as of 31 March 2020 (+1.5 per cent Q/Q, +4.6 per cent Y/Y).

<sup>25</sup> Includes Group Corporate Centre and Non Core.

<sup>26</sup> Average commercial deposits are managerial figures and are calculated as daily averages. Deposits net of Group Bonds.

<sup>27</sup> End of period accounting volumes calculated excluding repos and for divisions, also excluding intercompany items. Customer deposits including repos amounted to €455.0 bn as of 31 March 2020 (-3.3 per cent Q/Q, +1.0 per cent Y/Y).

<sup>28</sup> Gross customer performing loan rates calculated assuming 365 days convention, adjusted for 360 days convention where analytically available, and based on average gross balances.

<sup>29</sup> Customer rate Q/Q excluding one-offs: CB Germany -4 bps (single names).



- **Assets under management (AuM)** reached €180 bn, down €10.5 per cent Q/Q, due to a decline in AuM Sales (-€0.6 bn in 1Q20) and a weak market performance (-€20.3bn in 1Q20).
- **Assets under custody (AuC)** decreased by 15.8 per cent Q/Q to €118 bn in 1Q20. This development was driven by both, negative net sales (-€1.1 bn in 1Q20) and a weak market performance (-€20.4 bn in 1Q20).
- **Deposits** were up 0.5 per cent Q/Q and amounted to €364 bn.

## ASSET QUALITY

(€ million)	Bad exposures	Unlikely to pay	Non performing past-due	Total non performing	Performing	Total Loans
<b>As at 31 March 2020 (*)</b>						
Gross exposure	12,581	11,475	858	<b>24,914</b>	484,646	<b>509,560</b>
as a percentage of total loans	2.5%	2.3%	0.2%	<b>4.9%</b>	95.1%	
Writedowns	9,663	6,278	305	<b>16,246</b>	3,341	<b>19,587</b>
as a percentage of gross value	76.8%	54.7%	35.5%	<b>65.2%</b>	0.7%	
Carrying value	2,918	5,197	553	<b>8,668</b>	481,306	<b>489,973</b>
as a percentage of total loans	0.6%	1.1%	0.1%	<b>1.8%</b>	98.2%	
<b>As at 31 December 2019 (*)</b>						
Gross exposure	12,491	11,934	870	<b>25,295</b>	476,333	<b>501,628</b>
as a percentage of total loans	2.5%	2.4%	0.2%	<b>5.0%</b>	95.0%	
Writedowns	9,535	6,675	293	<b>16,503</b>	2,552	<b>19,055</b>
as a percentage of gross value	76.3%	55.9%	33.7%	<b>65.2%</b>	0.5%	
Carrying value	2,956	5,259	577	<b>8,792</b>	473,782	<b>482,574</b>
as a percentage of total loans	0.6%	1.1%	0.1%	<b>1.8%</b>	98.2%	

**Note:** (\*) Total loans to customers exclude the receivables arising from subleases recognised due to the application of IFRS16.

**Group gross NPEs** were down by 33.7 per cent Y/Y and 1.5 per cent Q/Q to €24.9 bn in 1Q20 with an improved **gross NPE ratio** of 4.9 per cent (-0.2 p.p. Q/Q, -2.7 p.p. Y/Y), while **net NPE ratio** stood at 1.8 per cent. The coverage ratio was flat Q/Q with 65.2 per cent (+3.5 p.p. Y/Y).

**Group gross bad loans** amounted to €12.6 bn in 1Q20 (+0.7 per cent Q/Q, -41.1 per cent Y/Y) with a coverage ratio of 76.8 per cent (+0.5 p.p. Q/Q, +4.0 p.p. Y/Y). **Group gross unlikely to pay** decreased to €11.5 bn (-3.8 per cent Q/Q, -25.0 per cent Y/Y), with a coverage ratio of 54.7 per cent (-1.2 p.p. Q/Q, +6.5 p.p. Y/Y). **Group past due loans** were €0.9 bn (-1.5 per cent Q/Q, -4.6 per cent Y/Y) with a coverage ratio of 35.5 per cent.

The **Group excluding Non Core**<sup>32</sup> gross NPEs slightly increased to €16.8 bn in 1Q20 (+0.7 per cent Q/Q, -15.1 per cent Y/Y). The gross NPE ratio was flat at 3.4 per cent (-0.8 p.p. Y/Y). The coverage ratio was 58.8 per cent (+0.2 p.p. Q/Q, +0.7 p.p. Y/Y). The NPE ratio for Group excluding Non Core was close to the average of European bank. The NPL ratio for UniCredit using the more conservative EBA definition is 2.8 per cent in 1Q20 compared to the weighted average of EBA sample banks<sup>33</sup> of 2.7 per cent.

**Group excluding Non Core gross bad loans** were stable at €7.5 bn (-0.3 per cent Q/Q, -24.1 per cent Y/Y) with a coverage ratio of 72.1 per cent (+0.3 p.p. Q/Q, +1.6 p.p. Y/Y). **Gross unlikely to pay** amounted to €8.5 bn (+1.7 per cent Q/Q, -6.5 per cent Y/Y) with a coverage ratio of 49.4 per cent.

**The Non Core** rundown continues with further reductions in 1Q20, better than expected in this seasonally quite quarter. Gross loans decreased to €8.1 bn (-€0.5 bn Q/Q, -€9.6 bn Y/Y). The improvement in the Non Core gross NPEs was mainly

<sup>30</sup> Refers to Group commercial Total Financial Assets. Non-commercial elements, i.e. CIB, Group Corporate Centre, Non Core and Leasing/Factoring are excluded. Numbers are managerial figures.

<sup>31</sup> In the past, only Group Corporate Centre, Non Core, Leasing/Factoring and Market Counterparts were excluded.

<sup>32</sup> Gross NPEs including gross bad loans, gross unlikely to pay and gross past due. Gross past due at €844 m in 1Q20 (-1.2 per cent Q/Q and -2.6 per cent Y/Y).

<sup>33</sup> Source: EBA risk dashboard (data as at 4Q19).

driven by: i) disposals of €0.2 bn, ii) write-offs of €0.2 bn, iii) recoveries of €0.1 bn and iv) back to Group excluding Non Core<sup>34</sup> of €0.1 bn. Net NPEs fell to €1.7 bn (-€0.1 bn Q/Q, -€4.3 bn Y/Y) with a coverage ratio of 78.4 per cent (+0.4 p.p. Q/Q, +12.6 p.p. Y/Y).

## CAPITAL & FUNDING

The Group 1Q20 **CET1 ratio** was up 23 bps Q/Q to 13.44 per cent, mainly driven by +37 bps from the release of FY19 dividends, +33 bps from material non-operating items<sup>35</sup> and +17 bps from DBO<sup>36</sup>. This was partly offset by -24 bps FX<sup>37</sup> impact, -16 bps other items<sup>38</sup> and -13bps from FVOCI<sup>39;40</sup>. Other impacts were RWA dynamics<sup>41</sup> (-8 bps) and AT1/ cashes coupon<sup>42</sup> (-1 bp).

Recently announced CRR changes and ECB recommendations to use additional flexibility will bring around 90 more than 80bps additional improvement in CET1 transitional ratio and more than 20bps in CET1 fully loaded ratio. The change in prudential consolidation of Yapi contributed with +58 bps CET1 ratio increased due to the regulatory deconsolidation with -19.7 bn RWA relief.

The **CET1 MDA buffer** is expected to be well above 200-250 bps target range throughout the year, thanks to a higher CET1 level Q/Q, the CRD5 art.104a benefit as well as the lower P2R. In 1Q20 the CET1 MDA stood at 436 bps<sup>43</sup>.

In 1Q20, the **transitional capital ratios**<sup>44,45</sup> were: **CET1** 13.44 per cent, **Tier 1** 15.48 per cent and **total capital** 18.01 per cent. All ratios are confirmed to be well above capital requirements<sup>46</sup>.

**RWAs**<sup>47,48</sup> totalled €361.0 bn in 1Q20, down €17.7bn since December 2019. In particular, credit RWAs decreased by €20.5 bn and amounted to €313.8 bn. The main drivers were: -€20.4 bn from other credits and -€2.0 bn from FX effects. Market RWAs were up €3.1 bn Q/Q to €14.6 bn due to market dislocation. Operational RWAs were down €0.4 bn Q/Q to €32.6 bn.

The **fully loaded leverage ratio** was 5.26 per cent, while the **transitional leverage ratio** stood at 5.49 per cent in 1Q20.

Successful issuance of €4.5 bn of TLAC eligible instruments throughout 1Q20. With the issuance of each €1.25bn AT1 and Tier 2 instruments, about 77 per cent of the subordinated component of the 2020 TLAC/MREL funding plan have been

<sup>34</sup> Outflow to performing.

<sup>35</sup> Mainly includes partial disposal of 21 per cent of Yapi (+58 bps), integration costs in Italy (-34 bps), additional real estate disposals (+9 bps)

<sup>36</sup> DBO sensitivity: 10bps decrease in discount rate has a -3.5 bps pre and -2.7 bps post tax impact on the fully loaded CET1 ratio as at 31 March 2020.

<sup>37</sup> TRY sensitivity: 10 per cent depreciation of the TRY has around -1.2 bps net impact (capital) on the fully loaded CET1 ratio. Managerial data as at 31 March 2020.

<sup>38</sup> Include higher deductions (AVA, DVA and OCS) and the impact from the planned delisting from the Warsaw Stock Exchange.

<sup>39</sup> In 1Q20 CET1 ratio impact from FVOCI -13 bps, o/w -6 bps due to BTP.

<sup>40</sup> BTP sensitivity: +10 bps parallel shift of BTP asset swap spreads has a -2.2 bps pre and -1.6 bps post tax impact on the fully loaded CET1 ratio as at 31 March 2020.

<sup>41</sup> Of which regulation, models and procyclicality were -5 bps.

<sup>42</sup> Payment of coupon on AT1 instruments (€34 m pre tax in 1Q20) and CASHES (€31 m pre and post tax in 1Q20).

<sup>43</sup> Including 77 bps of CRD5 Art.104a benefit.

<sup>44</sup> Starting from 1 January 2019, CET1 capital is fully loaded, however Tier 1 and Tier 2 capital are subject to transitional adjustments. Specifically, in 2020 the transitional adjustments are still applicable with reference to the 20 per cent of the phase-out limit for the Additional Tier 1 and Tier 2 capital instruments subject to grandfathering, as per CRR article 486.

<sup>45</sup> CET1 ratio at 13.44 per cent and MDA buffer at 436 bps. Tier1 ratio at 15.48 per cent, 457 bps above requirement. Stated Total capital ratio at 18.01 per cent, 466 bps above requirement.

<sup>46</sup> Capital requirements and buffers for UniCredit Group as of 31 March 2020 (rounded figures): 9.08 per cent CET1 ratio (4.50 per cent CET1 Pillar 1 minimum + 0.98 per cent Pillar 2 requirement (as 56.25 per cent of P2R applicable in 2020: 1.75 per cent)+ 3.60 per cent combined buffer requirement, including CRD5 art. 104a.); 10.91 per cent Tier1 (T1) ratio computed as 6.00 per cent T1 Pillar 1 minimum + 1.31 per cent Pillar 2 requirement + 3.60 per cent combined buffer requirement, including CRD5 art. 104a.; 13.35 per cent Total Capital (TC) ratio computed as 8.00 per cent TC Pillar 1 minimum + 1.75 per cent Pillar 2 requirement + 3.60 per cent combined buffer requirement.

<sup>47</sup> Business evolution: changes related to customer driven activities (mainly loans). Regulation includes: regulatory changes (eg. CRR or CRD) determining variations of RWA; Procyclicality: change in macro economy or client's credit worthiness; Models: methodological changes to existing or new models. Business actions: initiatives to decrease RWA (e.g. securitisations, collateral related actions). FX effect: impact from exposures in foreign currencies. Other credit includes extraordinary/non recurring disposals.

<sup>48</sup> Irrevocability of the credit lines granted in Italy (art. 56 of the Law Decree 17/3 2020, n. 18). According to the mentioned Italian Law Decree, revocable credit lines and credit advances cannot be revoked by the banks for the period between 29 February and 30 September 2020 (the scope refers to the SMEs with exposures classified as performing). Under the regulatory perspective, the classification of such lines and credit advances was however kept unchanged, also given the temporality of such measures, and in order to avoid unintended consequences for liquidity and capital profiles of the Banks; indeed, although the Bank shall comply with such Decree, the revocability / irrevocability is defined in the underlying contracts, which are not currently subject to amendments.

completed. UniCredit is **fully compliant with the TLAC requirement** of greater than 19.6 per cent<sup>49</sup> with a 1Q20 TLAC ratio of 23.50 per cent<sup>49</sup> and a MDA buffer of 391 bps<sup>49</sup>, being well above the upper end of the target range of 50-100 bps.

## ESG

Comprehensive set of ESG related commitments and 2023 target as part of UniCredits's long term commitment to sustainability including:

- **Social:** UniCredit has committed €1 bn to Social Banking Initiatives till 2023
- **Sustainability KPI's:** Embedding ESG topics in the new 2020-23 Long-Term Incentive Plan (LTIP) for the CEO and the Top Management
- **Environmental:** Fully exit thermal coal mining projects by 2023, increase renewable sector<sup>50</sup> exposure by 25 per cent, all electricity consumption in Western Europe will be from renewable energy sources by 2023, become a string partner in green financing being ranked under the top 5 players<sup>51</sup> in EMEA combined Green Bonds & ESG-linked loans

The Banks engagement of **"Doing the right"** was acknowledged by the ESG rating agencies

- UniCredit's high standards placed them in the 99<sup>th</sup> percentile of the **FTSE Russell ratings**<sup>52</sup>.
- **Standard Ethics** identified UniCredit as the only bank in Italy with an EE+ rating, strong compliance and ability to manage key reputational risk.

<sup>49</sup> 1Q20 TLAC ratio 23.50 per cent (o/w 21.00 per cent TLAC subordination ratio and 2.5 per cent senior preferred exemption) and MDA buffer of 391 bps. Fully loaded requirement of 21.6 per cent with 3.5 per cent senior exemption.

<sup>50</sup> Including: biomass, hydro, photovoltaic, wind, CHP, battery storage, energy from waste and other renewables as well as corporates predominantly operating renewable energy assets.

<sup>51</sup> In EMEA combined Green Bonds & ESG-linked loans. ESG-linked include: green Loans, KPI-linked loans, ESG-score linked loans. Green Bonds: include Green, Social and Sustainability bonds. Positioning based on Loan Radar and Dealogic League Tables.

<sup>52</sup> Constituent of the FTSE4Good Index series.

DIVISIONAL QUARTERLY HIGHLIGHTS<sup>53</sup>

## COMMERCIAL BANKING ITALY

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total revenues	1,779	1,757	1,689	-3.9%	-5.1%
o/w Net Interest	848	804	767	-4.6%	-9.6%
o/w Fees	910	929	917	-1.3%	+0.7%
Operating costs	-954	-945	-934	-1.1%	-2.1%
Gross operating profit	825	812	754	-7.1%	-8.5%
Net operating profit	619	542	105	-80.6%	-83.1%
Stated Net profit/loss	388	402	-730	<i>n.m.</i>	<i>n.m.</i>
Stated RoAC	13.8%	13.1%	-25.1%	-38.2 p.p.	-38.9 p.p.
Cost/income ratio	53.6%	53.8%	55.3%	+1.5 p.p.	+1.7 p.p.
Cost of risk (bps)	60	80	193	+114	+133

**NII** down 4.6 per cent Q/Q mainly due to changes in deposit remuneration. In 1Q20, **fees** were up by 0.7 per cent Y/Y thanks to a very strong performance in January and February. New business volumes were impacted from the second week of March by the lockdowns (AuM/ AuC, insurance sales), while new production of household mortgages and consumer finance was impacted from end of March.

**LLPS** were including €432 m related to the update of the IFRS9 macro scenario LLPs assumptions. The **underlying cost of risk** was 65 bps.

**Integration costs** of €1,027 m were booked in 1Q20, following the Italian trade Unions agreement reached for the implementation of Team 23.

**Underlying net profit**<sup>54</sup> stood at €12 m with an **underlying RoAC**<sup>54</sup> of 0.4 per cent in 1Q20. The underlying RoAC excluding IFRS9 macro scenario LLPs was 10.4 per cent.

<sup>53</sup> Please consider that (i) all divisional figures in "Divisional Quarterly Highlights" represent the contribution of each division to Group data; (ii) Return on Allocated Capital (RoAC) related to each division and shown in this section is calculated as: annualised net profit / allocated capital. Allocated capital based on RWA equivalent figures calculated with a CET1 ratio target of 12.5 per cent as for plan horizon, including deductions for shortfall and securitisations; (iii) new loan production for all divisions is a managerial figure.

<sup>54</sup> Normalised for integration costs in Italy (-€742 m) in 1Q20.

## COMMERCIAL BANKING GERMANY

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total revenues	596	646	622	-3.7%	+4.2%
o/w Net Interest	383	385	420	+9.1%	+9.6%
o/w Fees	184	178	196	+10.0%	+6.5%
Operating costs	-416	-416	-426	+2.3%	+2.3%
Gross operating profit	180	230	196	-14.6%	+8.8%
Net operating profit	159	182	43	-76.2%	-72.7%
Stated Net profit	141	90	15	-83.6%	-89.6%
Stated RoAC	12.2%	7.7%	1.1%	-6.6 p.p.	-11.1 p.p.
Cost/income ratio	69.8%	64.4%	68.5%	+4.0 p.p.	-1.3 p.p.
Cost of risk (bps)	10	22	69	+48	+59

The main **Covid-19 impact** was a strong credit demand from corporates and lower management fees in March.

**NII** up 9.1 per cent Q/Q and benefitting from a material one-off item linked to a favourable tax ruling. Adjusted for this, NII was down 3.9 per cent Q/Q, while revenues decreased by 4.2 per cent Y/Y. The latter also due to a lower rental income post the real estate disposals. The increase in **fees** was mainly driven by financing fees (+15.4 per cent Y/Y).

**1Q20 LLPs** were including €96 m related to the update of the IFRS 9 macro assumptions and €5 m from models. The **underlying cost of risk** was 23 bps.

**Underlying net profit**<sup>55</sup> amounted to €18 m in the first quarter with an **underlying RoAC**<sup>55</sup> of 1.4 per cent. The underlying RoAC excluding IFRS9 macro scenario LLPs was 7.2 per cent.

## COMMERCIAL BANKING AUSTRIA

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total revenues	354	415	342	-17.7%	-3.5%
o/w Net Interest	168	171	155	-9.3%	-7.5%
o/w Fees	145	166	160	-3.4%	+10.7%
Operating costs	-255	-248	-252	+1.8%	-1.2%
Gross operating profit	99	168	90	-46.5%	-9.5%
Net operating profit	107	136	5	-96.5%	-95.6%
Stated Net profit/loss	67	222	-58	n.m.	n.m.
Stated RoAC	9.5%	30.9%	-8.6%	-39.4 p.p.	-18.0 p.p.
Cost/income ratio	72.0%	59.6%	73.7%	+14.1 p.p.	+1.7 p.p.
Cost of risk (bps)	-7	28	75	+47	+82

**NII** fell by 9.3 per cent Q/Q due to one-off items and base rate effects. **Fees** were up 10.7 per cent, driven by a very strong performance in January and February. The Covid-19 pandemic and the resulting lockdowns, impacted both, performance and upfront investment fees. Transaction fees (card business) was also affected in March by the Covid-19 related lockdown.

**LLPs** were including €48 m related to IFRS9 macro scenario LLPs. The **underlying cost of risk** was 33 bps.

**Systemic charges** totalled €78m in 1Q20, down 12.7 per cent Y/Y with almost all of the expected FY20 charges booked in this quarter.

<sup>55</sup> Normalised for regulatory headwinds impact on CoR (-€3 m) in 1Q20

**Underlying net loss** stood at €58 m resulting in an **underlying RoAC** of -8.6 per cent in 1Q20. The underlying RoAC excluding IFRS9 macro scenario LLPs was -1.2 per cent.

## CEE

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total revenues	991	1,027	959	-5.7%	-2.9%
o/w Net Interest	672	676	637	-4.5%	-4.7%
o/w Fees	204	218	187	-13.0%	-7.4%
Operating costs	-364	-408	-381	-5.6%	+5.1%
Gross operating profit	627	620	578	-5.8%	-7.5%
Net operating profit	527	468	281	-39.6%	-46.9%
Stated Net profit	310	304	115	-62.4%	-63.6%
Stated RoAC	15.3%	14.2%	4.9%	-9.4 p.p.	-10.4 p.p.
Cost/income ratio	36.7%	39.7%	39.7%	+0.1 p.p.	+3.0 p.p.
Cost of risk (bps)	61	90	177	+87	+116

**Note:** Stated numbers at current FX. Variations Q/Q and Y/Y at constant FX (RoAC, C/I, gross NPE ratio, coverage ratio and CoR variations at current FX). Yapi is valued by the equity method and contributes to the dividend line of the Group P&L based on managerial view. Revenues excludes dividends from Yapi which are no longer reported in CEE and now reported in Group Corporate Centre

The **Covid-19 pandemic** had a limited P&L impact. The main effects noticed were lower new client acquisition and retail volumes.

**NII** was down 4.5 per cent Q/Q at constant FX due to non commercial items (including negative swap impact, previously reported in the trading income) and days effect. **Fees** declined by 7.4 per cent Y/Y at constant. The negative development was driven by the implementation of the EU cross border payment regulation.

The increase in the **operating costs** at constant FX was driven by the competitive labour markets.

**LLPs** were including €179 m LLPs related to the update of IFRS 9 macro assumptions, translating into 70 bps **underlying cost of risk**.

CEE was one of the **main contributors** to the Group's bottom line in 1Q20, generating a **stated net profit of €115 m**, down 63.6 per cent Y/Y at constant FX mainly due to the IFRS9 macro economic scenario update. The main contributors to 1Q20 earnings generation in the CEE were: Russia (€58 m stated net profit), Czech Republic (€37 m stated net profit) and Croatia (€20 m stated net profit).

The **underlying net profit**<sup>56</sup> of €126 m resulted in a **underlying RoAC**<sup>56</sup> of 5.4 per cent in 1Q20. The underlying RoAC excluding IFRS9 macro scenario LLPs was 12.7 per cent.

<sup>56</sup> Normalised for integration costs in Italy (-€11 m) in 1Q20.

## CIB

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total revenues	1,036	1,044	809	-22.6%	-22.0%
o/w Net Interest	556	587	588	+0.1%	+5.8%
o/w Fees	112	163	173	+6.1%	+54.4%
o/w Trading	332	240	54	-77.7%	-83.8%
Operating costs	-394	-405	-398	-1.8%	+0.9%
Gross operating profit	642	639	411	-35.8%	-36.0%
Net operating profit	598	686	253	-63.1%	-57.6%
Stated Net profit/loss	498	369	-22	<i>n.m.</i>	<i>n.m.</i>
Stated RoAC	18.4%	13.4%	-0.8%	-14.2 p.p.	-19.2 p.p.
Cost/income ratio	38.0%	38.8%	49.2%	+10.4 p.p.	+11.2 p.p.
Cost of risk (bps)	14	-13	42	+55	+28

Resilient **NII** thanks to European loan market leadership. **Fees** were strongly up Y/Y thanks to the second best DCM quarter ever and lower pay-out to the network following weaker certificate sales. **Trading income** with lower trading income Q/Q with solid performance in equities, commodities and FX more than offset by credit spread widening in some portfolios, XVA (-€90 m Q/Q), and non-recurring valuation adjustments (-€22 m Q/Q).

**LLPs** included €142 m related to IFRS9 macro scenario LLPs. The underlying cost of risk was 4 bps.

**Profits on investments (POI)** includes €70 m due to losses on debt securities from the IFRS9 macro scenario LLPs.

**Underlying net loss**<sup>57</sup> stood at €2 m. The **underlying RoAC**<sup>57</sup> was at -0.1 per cent in 1Q20. The underlying RoAC excluding IFRS9 macro scenario LLPs was 5.2 per cent.

## GROUP CORPORATE CENTRE (GCC)

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total revenues	11	-10	-34	<i>n.m.</i>	<i>n.m.</i>
Operating costs	-83	-57	-71	+24.9%	-14.2%
Gross operating profit	-72	-67	-105	+57.7%	+47.1%
Stated net loss	-41	-1,118	-2,024	+81.0%	<i>n.m.</i>
Underlying net loss	-62	-89	-162	81.3%	<i>n.m.</i>
Costs GCC/total costs	3.3%	2.3%	2.8%	+0.6 p.p.	-0.4 p.p.

**Revenues** were down -€45 m Y/Y mainly due to lower dividends from Yapi which is now included into GCC as a financial investment.

The GCC share of the Italian **integration costs** amounted to €264 m.

**Profit on Investments** amounted to -€1,156 m and was mainly comprised of +€516 m from real estate disposals and -€1,669 m from the Yapi transactions.

The **underlying net loss**<sup>58</sup> increased by 81.3 per cent to €162 m.

<sup>57</sup> Normalised for integration costs in Italy (-€19 m) in 1Q20.

<sup>58</sup> Normalised for Yapi transactions (-€1,669 m), Integration costs in Italy (-€489 m) and additional real estate disposals (+€296 m) in 1Q20.

## NON CORE

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total revenues	-1	-30	-8	-73.9%	n.m.
Operating costs	-43	-46	-31	-33.3%	-27.4%
Gross operating profit	-44	-76	-39	-49.1%	-11.3%
LLP	-103	-1,188	77	n.m.	n.m.
Stated net loss	-188	-1,104	-2	-99.8%	-98.8%
Undelying net profit/loss	-188	-213	8	n.m.	n.m.
Gross customer loans	17,750	8,592	8,099	-5.7%	-54.4%
NPE coverage ratio	65.8%	78.1%	78.4%	+0.4 p.p.	+12.6 p.p.
Net NPEs	6,065	1,886	1,746	-7.4%	-71.2%
RWA	11,695	10,966	9,633	-12.2%	-17.6%

**The Non Core** rundown continues with further reductions in 1Q20. **Gross NPEs** stood at €8.1 bn in 1Q20, reduced by €0.5 bn Q/Q, mainly driven by disposals and write-offs.

In the first three month of 2020, **operating costs** were down thanks to lower credit recovery costs connected to lower NPE stock.

In 1Q20, a net **LLP** write-back of €77 m was reported thanks to client repayments, which triggered an automatic release of corresponding LLPs. FY20 LLP guidance of -€0.1 bn is confirmed.

**Underlying net profit**<sup>59</sup> of €8 m due to the integration costs.

<sup>59</sup> Normalised for integration costs in Italy (-€10 m) in 1Q20.



## SIGNIFICANT EVENTS DURING AND AFTER 1Q20

With reference to the main events that occurred during 1Q20 and after 31 March 2020, refer to section “Subsequent events” in the Consolidated report on operations, which is an integral part of Consolidated report and accounts 2018 of UniCredit group as well as the press releases published on the UniCredit group website. Here below therefore, the main financial press releases published after 5 February 2020 (date of approval of Consolidated report and accounts 2019 of UniCredit group):

- “UniCredit: S&P changed UniCredit SpA’s outlook to negative from stable” (press release published on 29 April 2020);
- “UniCredit to anticipate IFRS9 COVID-19 macroeconomic scenario update” (press release published on 22 April 2020);
- “UniCredit: The Shareholders' Meeting approves the 2019 Financial Statements” (press release published on 9 April 2020);
- “Notice of early redemption to the bondholders of the "UniCredit S.p.A. 2015-2025 Obbligazioni subordinate Tier II a dieci anni e due mesi con cedole trimestrali a tasso variabile indicizzate al tasso euribor a 3 mesi aumentate di un margine pari al 2,75% annuo, con facoltà di rimborso anticipato ad iniziativa dell'emittente" ISIN IT0005087116 - Series 02/15” (press release published on 6 April 2020);
- “UniCredit and Italian Trade Unions sign agreement related to Team 23 strategic plan” (press release published on 2 April 2020);
- “UniCredit top management decides to waive their entire 2020 bonus” (press release published on 31 March 2020);
- “UniCredit to offer its shareholder Foundations dedicated interest free loans up to the amount of dividends” (press release published on 29 March 2020);
- “UniCredit postpones resolutions on FY19 dividend and share buyback following ECB recommendation” (press release published on 29 March 2020);
- “UniCredit: Moody's affirmed UniCredit SpA's ratings and outlook” (press release published on 26 March 2020);
- “UniCredit: Fitch affirmed UniCredit SpA's ratings and outlook” (press release published on 24 March 2020);
- “The European Central Bank notified UniCredit of its decision to allow the application of the equity method for the prudential consolidation of Yapi VE Kredi Bankasi A.Ş.” (press release published on 11 March 2020);
- “UniCredit statement regarding the confirmation of the permanence of CEO” (press release published on 24 February 2020);
- “UniCredit issues EUR 1.25 billion Additional Tier 1 PerpNC 6/2027 Notes (AT1)” (press release published on 12 February 2020);

## Outlook

The containment measures adopted to contain the spread of the COVID-19 would have a severe impact on economic activity. We expect Eurozone GDP to contract by 13 per cent this year, due to a severe recession in 1H20. We forecast a rebound in 2H20, as restrictions are progressively eased and we expect that the eurozone GDP average growth to will be about 10 per cent for 2021. The ECB has stepped up interventions and, with its pandemic emergency purchase program, it stands ready to act as a buyer of last resort in the government-bond market for as long as needed.

## GROUP TABLES

## UNICREDIT GROUP: RECLASSIFIED INCOME STATEMENT

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Net interest	2,578	2,515	2,502	-0.5%	-3.0%
Dividends and other income from equity investments	167	133	102	-23.4%	-39.0%
Net fees and commissions	1,541	1,629	1,620	-0.5%	+5.2%
Net trading income	442	464	165	-64.5%	-62.7%
Net other expenses/income	39	108	(11)	n.m.	n.m.
<b>OPERATING INCOME</b>	<b>4,768</b>	<b>4,850</b>	<b>4,378</b>	<b>-9.7%</b>	<b>-8.2%</b>
Payroll costs	(1,555)	(1,549)	(1,542)	-0.5%	-0.9%
Other administrative expenses	(832)	(858)	(812)	-5.5%	-2.4%
Recovery of expenses	150	150	125	-16.6%	-16.8%
Amort. deprec. and imp. losses on intang. & tang. assets	(272)	(267)	(265)	-0.9%	-2.9%
<b>OPERATING COSTS</b>	<b>(2,510)</b>	<b>(2,525)</b>	<b>(2,493)</b>	<b>-1.3%</b>	<b>-0.7%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>2,258</b>	<b>2,325</b>	<b>1,885</b>	<b>-19.0%</b>	<b>-16.5%</b>
Net write-downs on loans and provisions for guarantees and commitments	(467)	(1,645)	(1,261)	-23.4%	n.m.
<b>NET OPERATING PROFIT (LOSS)</b>	<b>1,791</b>	<b>681</b>	<b>624</b>	<b>-8.3%</b>	<b>-65.1%</b>
Other charges and provisions	(214)	(316)	(528)	+66.9%	n.m.
- of which: systemic charges	(538)	(82)	(538)	n.m.	-0.0%
Integration costs	(3)	(657)	(1,347)	n.m.	n.m.
Net income from investments	90	(665)	(1,261)	+89.7%	n.m.
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>1,664</b>	<b>(958)</b>	<b>(2,512)</b>	<b>n.m.</b>	<b>n.m.</b>
Income tax for the period	(494)	119	(140)	n.m.	-71.6%
<b>NET PROFIT (LOSS)</b>	<b>1,171</b>	<b>(839)</b>	<b>(2,652)</b>	<b>n.m.</b>	<b>n.m.</b>
Profit (Loss) from non-current assets held for sale after tax	65	11	(0)	n.m.	n.m.
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>1,235</b>	<b>(828)</b>	<b>(2,652)</b>	<b>n.m.</b>	<b>n.m.</b>
Minorities	(59)	(4)	(5)	+10.9%	-92.3%
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP BEFORE PPA</b>	<b>1,176</b>	<b>(832)</b>	<b>(2,656)</b>	<b>n.m.</b>	<b>n.m.</b>
Purchase Price Allocation effect	(1)	(3)	(50)	n.m.	n.m.
Goodwill impairment	-	-	-	n.m.	n.m.
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>1,175</b>	<b>(835)</b>	<b>(2,706)</b>	<b>n.m.</b>	<b>n.m.</b>

**Note:** 2019 first quarters figures were restated, compared to those stated at the same date:

- to reflect "loss of control" on FinecoBank S.p.A. following the completion on 8 May 2019 of the accelerated bookbuilding (ABB) of No.103.5 million ordinary shares of the company, settled on 10 May 2019;
- to reflect adoption of fair value model for the measurement of the Real Estate portfolio, with retrospective application from 1 January 2018 for held for investment assets (IAS40);
- following the reclassification starting from June 2019:
  - of revenues for "Dividends from other financial assets mandatorily at fair value" to the item "Net trading income";
  - of some expenses incurred in handling the recovery process of non-performing exposures to the item "Other administrative expenses" (previously included in the item "Net fees and commissions");
  - of some expenses for payment services and cards that, were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions";
  - of net results from sales & purchases and re-measurement of physical gold, precious stones and metals that were reclassified from the item "Net other expenses/income" to the item "Net trading income" when entered into in contemplation with other trading book exposures or "Net income from investments" otherwise;
  - of some non-recoverable expenses incurred for customer financial transaction taxes that were reclassified from the item "Other administrative expenses" to the item "Net fees and commissions" or when otherwise recovered/debited, the related income has been included in the item "Recovery of expenses" (from the item "Net fees and commissions");

- o of some expenses for local tax on corporate revenues (i.e. Municipality and Innovation Tax in Hungary) that were reclassified from the item "Other administrative expenses" to the item "Income tax for the period".

## UNICREDIT GROUP: RECLASSIFIED BALANCE SHEET

(€ million)	1Q19	4Q19	1Q20	Q/Q	Y/Y
<b>ASSETS</b>					
Cash and cash balances	31,991	17,305	20,726	+19.8%	-35.2%
Financial assets held for trading	67,135	63,280	69,756	+10.2%	+3.9%
Loans to banks	83,655	97,888	94,525	-3.4%	+13.0%
Loans to customers	471,653	482,574	489,973	+1.5%	+3.9%
Other financial assets	148,061	149,091	151,907	+1.9%	+2.6%
Hedging instruments	8,516	9,230	11,051	+19.7%	+29.8%
Property, plant and equipment	11,162	11,097	10,519	-5.2%	-5.8%
Goodwill	1,484	886	886	+0.0%	-40.3%
Other intangible assets	1,996	1,914	1,865	-2.5%	-6.5%
Tax assets	13,019	12,922	12,955	+0.3%	-0.5%
Non-current assets and disposal groups classified as held for sale	1,764	2,512	2,045	-18.6%	+16.0%
Other assets	7,692	6,949	6,542	-5.9%	-14.9%
<b>Total assets</b>	<b>848,128</b>	<b>855,647</b>	<b>872,753</b>	<b>+2.0%</b>	<b>+2.9%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits from banks	136,882	135,563	161,497	+19.1%	+18.0%
Deposits from customers	473,514	470,570	454,956	-3.3%	-3.9%
Debt securities issued	84,283	96,301	95,197	-1.1%	+12.9%
Financial liabilities held for trading	41,879	41,483	46,785	+12.8%	+11.7%
Other financial liabilities	13,815	12,083	11,094	-8.2%	-19.7%
Hedging instruments	11,440	12,150	14,236	+17.2%	+24.4%
Tax liabilities	1,295	1,378	1,509	+9.5%	+16.5%
Liabilities included in disposal groups classified as held for sale	547	725	559	-22.8%	+2.3%
Other liabilities	25,267	23,608	25,669	+8.7%	+1.6%
Minorities	1,018	369	430	+16.4%	-57.8%
Group Shareholders' Equity:	58,188	61,416	60,820	-1.0%	+4.5%
- Capital and reserves	57,012	58,042	63,526	+9.4%	+11.4%
- Net profit (loss)	1,175	3,373	(2,706)	n.m.	n.m.
<b>Total liabilities and Shareholders' Equity</b>	<b>848,128</b>	<b>855,647</b>	<b>872,753</b>	<b>+2.0%</b>	<b>+2.9%</b>

**Note:** Data related to first quarter 2019 were restated, compared to those stated at the same date, to reflect the adoption of the fair value model for the measurement of the Real Estate portfolio, with retrospective application from 1 January 2018 for held for investment properties (IAS40).

## UNICREDIT GROUP: SHAREHOLDERS EQUITY

(€ million)	
<b>Shareholders' Equity as at 31 December 2019</b>	<b>61,416</b>
Equity instruments	1,239
Changes in reserve for the unsustainable amount of Deferred Tax Assets relating to tax losses carried forward linked to shareholders' equity items	77
Change in reserve related coupon on AT1 instruments	-24
Disbursements related to transaction denominated "Cashes"	-31
Change in the valuation reserve of the companies accounted for using the equity method <sup>1</sup>	778
Change in the valuation reserve of non-current assets classified held-for-sale <sup>1</sup>	681
Change in the valuation reserve relating to the actuarial gains/losses on defined benefit plans <sup>2</sup>	632
Change in the valuation reserve relating to the financial assets and liabilities at fair value	-442
Exchange differences reserve <sup>3</sup>	-853
Other changes	53
Net profit (loss) for the period	-2,706
<b>Shareholders' Equity as at 31 March 2020</b>	<b>60,820</b>

**NOTE:** <sup>1</sup> The change in the valuation reserve of the companies accounted for using the equity method for +€778 m and in the reserve of non-current assets classified held-for-sale for +€681 m is mainly due to the disposal of respectively 11.93 per cent and 9.02 per cent stake of Yapi Ve Kredi Bankasi AS with the consequent recycle of reserves mainly referred to Turkish Lira.

<sup>2</sup> Mainly referred to higher DBO discount rate induced by widespread drop in prices of High Quality Corporate Bonds partially offset by plan assets performance.

<sup>3</sup> This effect is mainly due to the impact of Russian Ruble for -€547 m and Czech Crown for -€176 m.

## UNICREDIT GROUP: STAFF AND BRANCHES

(units)	1Q19	4Q19	1Q20	Q/Q Δ	Y/Y Δ
Employees(*)	85,111	84,245	83,942	-303	-1,169
Branches	3,783	3,717	3,650	-67	-133
- o/w CB Italy, CB Germany, CB Austria	2,908	2,846	2,787	-59	-121
- o/w CEE	875	871	863	-8	-12

**Note:** (\*)FTE data: number of employees counted for the rate of presence. Please consider that Group FTEs are shown excluding all companies that have been classified as "discontinued operations" under IFRS5 and Ocean Breeze. CEE branches are excluding Yapi.

## UNICREDIT GROUP: RATINGS

	SHORT-TERM DEBT	MEDIUM AND LONG-TERM	OUTLOOK	STANDALONE RATING
Standard & Poor's	A-2	BBB	NEGATIVE	bbb
Moody's	P-2	Baa1	STABLE	baa3
Fitch Ratings	F2	BBB	NEGATIVE	bbb

**Note: S&P:** on 29 April 2020, the outlook was changed to negative from stable.

**Moody's:** on 18 July 2019 Moody's upgraded UniCredit S.p.A.'s stand-alone rating to 'baa3' from 'ba1'.

**Fitch Ratings:** on 5 September 2018, Fitch revised UniCredit S.p.A.'s outlook to Negative (from Stable) following the recent revision of Italy's outlook to Negative. On 28 April, Fitch has downgraded the Italian Sovereign to 'BBB-' with 'stable' outlook.

**UNICREDIT GROUP: SOVEREIGN DEBT SECURITIES – BREAKDOWN BY COUNTRY/PORTFOLIO**

With reference to the Group's sovereign exposures<sup>60</sup>, the book value of sovereign debt securities as at 31 March 2020 amounted to €111,928 m, of which about the 87 per cent concentrated in eight countries; Italy, with €45,917 m, represents over 41 per cent of the total and over 5 per cent of the Group's total assets. For each of the eight countries, the table below shows the nominal value, the book value and the fair value of the exposures broken down by portfolio as at 31 March 2020.

(€ million)	Nominal Value	Book value	Fair Value
<b>As at 31 March 2020 (*)</b>			
<b>- Italy</b>	<b>44,364</b>	<b>45,917</b>	<b>46,412</b>
financial assets/liabilities held for trading (net exposures)(*)	2,196	2,023	2,023
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	50	62	62
financial assets at fair value through other comprehensive income	19,574	20,702	20,702
financial assets at amortised cost	22,544	23,130	23,625
<b>- Spain</b>	<b>16,372</b>	<b>17,596</b>	<b>17,538</b>
financial assets/liabilities held for trading (net exposures)(*)	360	391	391
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	11,244	11,905	11,905
financial assets at amortised cost	4,768	5,300	5,242
<b>- Germany</b>	<b>12,004</b>	<b>12,291</b>	<b>12,331</b>
financial assets/liabilities held for trading (net exposures)(*)	163	192	192
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	7,499	7,629	7,629
financial assets at fair value through other comprehensive income	2,737	2,859	2,859
financial assets at amortised cost	1,605	1,611	1,651
<b>- Japan</b>	<b>7,547</b>	<b>7,601</b>	<b>7,605</b>
financial assets/liabilities held for trading (net exposures)(*)	-	-	-
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	4,400	4,435	4,435
financial assets at amortised cost	3,147	3,166	3,170
<b>- Austria</b>	<b>5,025</b>	<b>5,580</b>	<b>5,583</b>
financial assets/liabilities held for trading (net exposures)(*)	263	351	351
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	105	146	146
financial assets at fair value through other comprehensive income	4,564	4,989	4,989
financial assets at amortised cost	93	94	97
<b>- United States of America</b>	<b>3,703</b>	<b>4,046</b>	<b>4,046</b>
financial assets/liabilities held for trading (net exposures)(*)	131	131	131
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	3,572	3,915	3,915
financial assets at amortised cost	-	-	-

<sup>60</sup> Information on Sovereign exposures refers to the scope of the UniCredit Group consolidated results as at 31 March 2020, determined under IAS/IFRS. Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. To the purpose of this risk exposure ABSs are not included.

<b>- Romania</b>	<b>1,930</b>	<b>1,971</b>	<b>1,971</b>
financial assets/liabilities held for trading (net exposures)(*)	129	131	131
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,801	1,840	1,840
financial assets at amortised cost	-	-	-
<b>- France</b>	<b>1,717</b>	<b>1,925</b>	<b>1,925</b>
financial assets/liabilities held for trading (net exposures)(*)	377	523	523
financial assets designated at fair value	-	-	-
financial assets mandatorily at fair value	-	-	-
financial assets at fair value through other comprehensive income	1,340	1,402	1,402
financial assets at amortised cost	-	-	-
<b>Total on-balance sheet exposures</b>	<b>92,662</b>	<b>96,927</b>	<b>97,411</b>

**Note:** (\*) including exposures in Credit Derivatives. Negative amount indicates the prevalence of liabilities positions.

The remaining 13 per cent of the total of sovereign debt securities, amounting to €15,001 m with reference to the book values as at 31 March 2020, is divided into 33 countries, including Hungary (€1,883 m) Bulgaria (€1,647 m), Portugal (€1,345 m), Croatia (€1,314 m), Czech Republic (€1,159 m), Poland (€958 m), Serbia (€925 m) and Russia (€731 m). The sovereign exposure to Greece is immaterial.

With respect to these exposures, as at 31 March 2020 there were no indications that a default may have occurred.

It should moreover be noted that among the aforementioned remaining part of sovereign debt securities as at 31 March 2020 there are also debt securities towards Supranational Organizations such as the European Union, the European Financial Stability Facility and the European Stability Mechanism amounting to €3,148 m.

### UNICREDIT GROUP: WEIGHTED DURATION

The weighted duration of the sovereign bonds shown in the table above, split between the banking and trading book, is as follows:

Weighted duration (years)	Banking book	Trading book	
		Assets positions	Liabilities positions
- Italy	3.49	2.94	3.40
- Spain	3.57	4.19	14.59
- Germany	3.26	10.43	4.53
- Japan	3.20	0.71	-
- Austria	3.36	7.74	7.49
- United States of	4.24	1.95	1.80
- Romania	3.31	4.56	13.45
- France	3.87	24.76	2.98

**UNICREDIT GROUP: BREAKDOWN OF SOVEREIGN DEBT SECURITIES BY PORTFOLIO**

The table below shows the classification of bonds belonging to the banking book and their percentage share of the total of the portfolio under which they are classified.

Breakdown of sovereign debt securities by portfolio (€ million)	Amounts as at 31 March 2020					Total
	Financial assets designated at fair value		Financial assets mandatorily at fair value	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	
	value	mandatorily at fair value				
Book value	-	8,185	63,627	35,883	107,695	
% portfolio	0.00%	44.57%	79.31%	5.66%	14.71%	

**UNICREDIT GROUP: SOVEREIGN LOANS – BREAKDOWN BY COUNTRY**

In addition to the exposures to sovereign debt securities, loans<sup>61</sup> given to central and local governments and governmental bodies must be taken into account. The table below shows the total amount as at 31 March 2020 of loans booked in financial assets at amortised cost portfolio given to countries towards which the overall exposure exceeds €130 m, representing about 92 per cent of the total.

(€ million)	Book value
<b>As at 31 March 2020 (*)</b>	
- Austria (*)	6,090
- Germany (**)	6,019
- Italy	4,346
- Croatia	2,437
- Qatar	403
- Slovenia	207
- Hungary (***)	198
- Kenya	198
- Bulgaria	191
- Indonesia	179
- Turkey	164
- Laos	161
- Bosnia and Herzegovina	155
<b>Total on-balance sheet exposures</b>	<b>20,748</b>

**Notes:** (\*) of which € 356 m in financial assets held for trading and those mandatorily at fair value. (\*\*) of which € 1,903 m in financial assets held for trading and those mandatorily at fair value. (\*\*\*) of which € 9 m in financial assets mandatorily at fair value.

<sup>61</sup> tax items are not included.

## BASIS OF PREPARATION

1. This Consolidated interim report as at 31 March 2020 - Press release has been prepared on a voluntary basis, with the aim of ensuring continuity with the previous quarterly reports, following the elimination of the requirement to disclose additional financial information to the half-year and annual reports pursuant to law (D.Lgs.) 25/2016, issued in application of Directive 2013/50/EU. This Consolidated interim report as at 31 March 2020 - Press release as well as the press releases on significant events occurred during the period, the market presentation of 1Q20 results, the Divisional Database, and the disclosure by institutions pursuant to Regulation (EU) No.575/2013 and subsequent amendments are available on UniCredit Group website.
2. Reclassified balance sheet and income statements items have been prepared pursuant to Banca d'Italia instructions laid down in Circular 262/2005 and applying the aggregations and reclassifications disclosed in Annex 1 of Consolidated report and accounts 2019 of UniCredit group and supplemented by the notes below the reclassified balance sheet and income statement of this document.
3. In order to provide further information about Group's performance, a number of alternative performance measures (APM) has been used (such as Cost/income ratio, RoTE, RoAC, Cost of risk, net bad loans to customer/Loans to customers, Net non-performing loans to customers/ loans to customers), whose description is included in the Consolidated report and accounts 2019 of UniCredit group (Consolidated interim report on operations and Annexes) in accordance with European Securities and Markets Authority Guidelines (ESMA/2015/1415) of 5 October 2015. Further APM (i.e. Coverage ratio, Underlying RoTE) have been described in the 1Q20 market presentation.
4. The contents of this Consolidated interim report as at 31 March 2020 - Press release are not prepared according to the international accounting standard on interim reporting (IAS34).
5. The Consolidated interim report as at 31 March 2020 - Press release, within which the accounts are presented in reclassified form, has been prepared on the basis of IAS/IFRSs in force.  
It should be noted that some valuation processes, including the valuation of tangible assets, goodwill and the sustainability of deferred tax assets, have been performed by assessing that, since 31 December 2019 to the reference date, there have been no substantial events or changes in parameters and circumstances that may indicate the need to adjust the book values.. It is also highlighted that in the first quarter 2020 the valuation of certain items has been made particularly complex as a result of the lockdown measures put in place by governments for the containment of COVID-19 pandemics.  
In particular while evaluations have been made on the basis of information deemed to be reasonable and supportable as at 31 March 2020, existing uncertainties related to evolution of the pandemics, when lockdown measures will be lifted and the shape of the expected economic recovery, unavoidably affect the valuation processes. Therefore the resulting evaluations might change, in an unforeseeable manner, in the next reporting periods when the mentioned uncertainties will be progressively resolved. Further details on valuations and assumption made for the most significant items of financial statements are provided below (refer to points from 9 to 13).  
Furthermore, for some Entities, income taxes have been calculated based on the best estimate of the weighted average annual tax rate expected for the entire year. Furthermore, in these circumstances, deferred tax assets and liabilities have not been subject to redetermination.
6. With reference to the contributions due to the Single Resolution Fund and to Deposit Guarantee Schemes, the related estimated costs are presented into "Other charges and provisions: of which systemic charges".
7. Scope of consolidation: in the first three months of 2020 the following changes occurred in the scope:
  - a. the number of fully consolidated companies, including the ones classified as non-current assets and asset disposal groups, changed from 482 at the end of 2019 to 483 as at March 2020 (7 inclusions and 6 exclusions as a result of disposals, changes of the consolidation method and mergers);
  - b. the number of companies consolidated using the equity method, including the ones classified as non-current assets and asset disposal groups, changed from 47 at the end of 2019 to 32 as at March 2020 due to 14 disposals/liquidations and 1 changes of the consolidation method.
8. Non-current assets and asset groups held for sale: in the Balance sheet as at 31 March 2020, the main reclassified assets based on the IFRS5 accounting principle, as non-current assets and asset disposal groups refer to:
  - regarding the individual asset and liabilities held for sale and the groups of assets held for sale and associated liabilities which do not satisfy IFRS5 requirements for the classification as discontinued operations:
    - the subsidiaries General Logistic Solutions LLC, Cards & Systems EDV-Dienstleistungs GmbH and UniCredit Leasing Fuhrparkmanagement GmbH and the companies of Card Complete Service Bank AG, SIA UniCredit Leasing and Capital Dev S.p.A. groups;
    - the non-performing loans related to sale initiatives of portfolios;
    - the real estate properties held by certain companies in the Group;
  - regarding the data relating to the discontinued operations:
    - the companies of the Immobilien Holding group (Austria).
9. In light of the expected deterioration of the global economy arising from the Covid-19 pandemic and related lockdown measures, the Group has updated the Macro-economic scenario for IFRS9 Expected Credit Loss (ECL) calculation<sup>62</sup> with reference to the 31 March 2020 financial reporting, as already communicated in 22nd April 2020 press release.

<sup>62</sup> Used for the purpose of determining loss provisions.



This approach takes into account the latest recommendations provided on the matter by IASB and ECB, issued on 27 March and 1 April 2020 respectively. They have recommended to incorporate the Covid-19 effects in Macro-economic scenario and in addition ECB encourages significant institutions to use their own macroeconomic research and reliable external sources.

For UniCredit Group, the update of the Macro-economic scenario has been performed on the basis of the forecasts produced by Economics Research, issued through the Chartbook officially published on 2 April 2020. The resulting outlook is negative for 2020 and assumes a recovery in economic growth in 2021. The main rationales underlying the forecasts are based on expectation of: (i) a deterioration of the Eurozone economy due to the lockdown measures necessary to contain the spread of Covid-19; (ii) large-scale fiscal and monetary support deemed to limit but not fully neutralize permanent damage to productive capacity, household income and human capital; (iii) a rebounding in 2021 as it is estimated that restrictions will be progressively eased already in the second half of 2020.

10. Starting from 31 December 2019, the Group moved from a cost model to a fair value or revaluation model for the measurement of, respectively, properties held for investments and used in business. As a result, at the same date fair value of all the real estate properties was determined and recognized in financial statements.

As at 31 March 2020, on the basis of the evaluation performed, also recurring in some cases to external experts and considering the current market environment, the Group assessed that the average changes in market values are such as not to generate impacts on the values of the properties of the portfolio.

11. In order to provide relief to the lockdown measures put in place for containing COVID-19 outbreak, many countries, in which the Group operates, have issued laws which foresee the delay on payment of instalments either on request by customers or automatically (so called "moratoria").

In accordance with ESMA statements<sup>63</sup>, the Group has not derecognised those credit exposures that have been subject to such moratoria.

Furthermore, in consistency with the Authorities' statements (EBA, IASB and ESMA<sup>64</sup>), the Group has not automatically reclassified from Stage 1 to Stage 2 those credit exposures subject to moratoria. The credit processes have been activated by the Group, considering both qualitative and quantitative trigger, in order to grant the proper classification in Stage 2 or Stage 3 (non performing) of those credit exposures for which the increase in credit risk is unrelated to, or is significantly affected in the long term by, Covid-19 outbreak.

12. As per IAS 36.99, the detailed calculation performed as at December 2019 for testing goodwill sustainability at Group level and on the specific cash-generating units to which goodwill is allocated have been subject to the trigger analysis as at 31 March 2020 in order to assess the impact on recoverable amounts of changes in the underlying parameters and to verify the reliability of projections.

While the evolution of underlying parameters in 1Q2020 is consistent with the assumptions made in the Impairment Test as of December 2019, the actual Net result as of March 2020 are lower than the Budgeted one mainly due to negative economic impacts related to Covid-19. In this context the quarterly trigger analysis was combined with a sensitivity analysis to assess the impact of a deterioration in the 2020 and 2021 profitability of the business divisions to which goodwill is allocated: the results of both the analyses confirmed the sustainability of goodwill as of March 2020.

13. Loan Loss Provisions referred to Non Core perimeter are also based - in coherence with Year End 2019 closing - on the characteristics of the underlying receivables (classified both as bad loans and unlikely to pay), in order to measure them in line with the estimates on the portfolio's sale expectations. The estimated selling prices are determined through observable internal or market benchmarks, depending on the availability of information and in compliance with the criteria defined by the internal regulations. The results are incorporated into the Selling Scenarios, pursuant to the IFRS9 accounting standard, used for the purpose of evaluating the Non performing exposures included within the Non Core perimeter, to represent its recoverability by 2021.

The current framework - strongly conditioned by the Covid-19 outbreak and the related lockdown measures - is characterized by elements of high uncertainty, both referring to the general situation, and in particular to the NPE market; thus any update in the estimate about market prices for expected NPEs sales could currently lead to results not reliable and not supportable.

For this reason, for 1Q 2020 financial statements, no changes were made referring to the Selling Scenarios approach adopted for Year End 2019 closing.

14. This Consolidated interim report - Press release is not audited by the External Auditors.

<sup>63</sup> ESMA Public Statement: "Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9" dated 25 March 2020

<sup>64</sup> IASB Statement "IFRS 9 and Covid-19" dated 27 March 2020, ESMA Public Statement: "Accounting implications of the Covid-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9" dated 25 March 2020, EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis

Declaration by the Manager charged with preparing the financial reports

The undersigned, Stefano Porro, in his capacity as the Manager charged with preparing UniCredit S.p.A.'s financial reports

DECLARES

that, pursuant to Article 154 bis, paragraph 2, of the “Consolidated Law on Finance” the information disclosed in this document corresponds to the accounting documents, books and records.

Milan, 5 May 2020

**Manager charged with  
preparing the financial reports**



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